



NO PROTEST RECEIVED
Please Report to R-1

Date 7/2/85

Surname [redacted]

MAY 28 1985

District Office: [redacted]
Employer Identification Number: [redacted]

SEP 13 1985

Dear Applicant:

This is in reply to your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information you have submitted states that you were established to promote the common interests of the [redacted] and [redacted] by providing for the management of assets and the employment of staff to serve the needs of and enhance the ability of these organization to promote and improve their general business conditions. You are a membership organization comprised of the two above named organizations. You were established by reason of the reorganization of the [redacted], an exempt 501(c)(6) organization. [redacted] was also formed through this reorganization and has applied for exemption under 501(c)(6) of the Code. The specific activities you intend to carry on for organizations you will support are collecting dues, hiring employees, paying payroll, maintaining records, managing and maintaining assets, and providing office management.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real estate boards, boards of trade or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the income tax regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Thus, its activities should be directed to the improvement of business conditions of

one or more lines of business as distinguished from the performance of particular services for individual persons. Furthermore, an organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Rev. Rul. 74-244, 1970-2 C.B. 132 holds that an organization of business and professional persons in a community providing luncheon and bar facilities for its members but having no specific program directed to the improvement of business conditions does not qualify for exemption under section 501(c)(6) of the Code.

Rev. Rul. 81-174, 1981-1 C.B. 336 and Rev. Rul. 81-175, 1981-1 C.B. 337 state that by serving as an economy of convenience in providing necessary protection to its policyholders ... the organization is performing particular services for its member companies and policyholders.

In Southern Hardwood Traffic Association v. United States, 283 F. Supp. 1013 (N.D. Tenn. 1968) the court defined the term particular service as "any particular activity or service performed ... which does not inure to the benefit of all of its members generally and which would otherwise have to be done by or for the member in order for him to properly perform his business."

The information you have submitted establishes that your activities are to carry out various administrative and managerial tasks for your members. You are not conducting any activities which promote the common interest of your members or improve the business conditions of one or more lines of business as these phrases are used in section 501(c)(6). By serving as an economy of convenience for your members in performing these tasks you are performing a particular service within the meaning of section 501(c)(6) of the Code. Furthermore, providing management services also constitutes a business of a kind ordinarily carried on for profit. Accordingly, we have concluded that you do not qualify for exemption under section 501(c)(6) of the Code.

The fact that your members are tax exempt organizations does not establish your own tax exempt status under section 501(c)(6). Exemption is established by reason of the nature of your activities not exclusively through the tax status of your members.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted in duplicate within 21 days from the date of this letter. You also have a right to a conference, if you want one, when you file your protest statement.

██████████

If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 21 days, this ruling will become final and copies will be forwarded to your City District Director. Thereafter, any questions about your federal income tax status should be addressed to that office.

You are required to file Federal income tax returns on Form 1120.

Sincerely yours,

(Signed) ██████████

██████████
Chief, Exempt Organizations
Rulings Branch

cc: ██████████
██████████
██████████